C.D. Howe Institute

National Consultation

Problems and Prospects

John Crispo

84- 4560

C.D. Howe Institute

The C.D. Howe Institute was established in 1973 by the merger of the C.D. Howe Memorial Foundation and the Private Planning Association of Canada. It is a nonprofit, nonpolitical organization seeking to contribute nonpartisan research findings and commentary on Canadian economic policy issues.

The guiding principle of the Institute is to conduct its research and analysis in a manner that is balanced in approach, professional in method, and readable in style.

To ensure diversity in perspective, participation is encouraged from organized labor, business, agricultural associations, and the professions.

While its focus is national, the Institute recognizes that Canada is composed of regions, each of which may have a particular point of view on policy issues, unique interests and concerns, and different concepts of national priorities. The Institute also pursues involvement from both of Canada's major linguistic communities.

It is not the purpose of the Institute to promote consensus on policy issues, although on occasion that may be feasible. The primary function is to add to public understanding of issues by providing sound analysis reflecting objective treatment of diverse points of view. The staff of the Institute seeks to develop good working relationships with public officials for the purposes of better understanding the basis for government decisions and contributing effectively to public policy formulation.

A Board of Directors is responsible for the general administration of the Institute, while the immediate direction of the policies, program, and staff is vested in the Executive Director. The function of the Board is to make independent research and publication possible under the most favorable conditions and not to control the conduct and conclusions of research activity.

Michel Bélanger is Chairman, Wendy Dobson is Executive Director and Treasurer, and Wendy Walker is Corporate Secretary.

The Institute's publications are available from its offices: Suite 900, 555 Dorchester Blvd. W., Montreal, Quebec H2Z 1B1; P.O. Box 1621, Calgary, Alberta T2P 2L7; and Glendon Hall, 2275 Bayview Avenue, Toronto, Ontario M4N 3M6.

National Consultation: Problems and Prospects

John Crispo

Policy Commentary No. 5

C.D. Howe Institute

Canadian Cataloguing in Publication Data
Crispo, John, 1933
National consultation

(Policy commentary, ISSN 0825-592X; no. 5)
Includes bibliographical references.
ISBN 0-88806-125-0

1. Industry and state — Canada. 2. Canada — Economic policy.
I. C.D. Howe Institute. II. Title.
III. Series: Policy commentary (C.D. Howe Institute); no. 5.

HD3616.C23C74 1984 338.971 C84-099376-5

ISBN 0-88806-125-0
ISSN 0825-592X
Quotation with appropriate credit is permissible.
C.D. Howe Institute, Toronto, Montreal, and Calgary
Printed in Canada — September 1984, $6.00

Contents

Foreword v

Preface vii

Introduction 1

The Canadian Challenge: A Brief Perspective 2

The Case for National Consultation 5

Canadian Experience with Consultation 7
The National Productivity Council 8
The Economic Council of Canada 9
The Prices and Incomes Commission 10
The Anti-Inflation Board 14
Tier I / Tier II 16
The Major Projects Task Force 17
Recent Experience with Consultation 18
Conclusion 19

Foreign Experience with Consultation 20

A Major Caveat: Coping with Inflation 23
Finding an Appropriate Mechanism 25

Prerequisites for Effective National Consultation in Canada 27
Objectives and Terms of Reference 28
Protecting the Sovereignty of Parliament and Avoiding the Corporate State 29
Recognizing the Constraints Imposed by Decentralization and Fragmentation 31
The Format for Consultation: Bi-, Tri-, or Multipartite? 32
Selecting the Labor and Management Representatives 34
The Importance of Continuing Contacts at All Levels 35
The Role of Government 36
The Role of Labor 38
The Role of Management 40

Conclusion 41

Foreword

Canada is faced with the urgent task of adjusting to rapidly changing international economic conditions. Successful execution of this task depends on the adaptability of our institutions, attitudes, policies, and economic relationships. The C.D. Howe Institute is undertaking a series of studies that examine some of the key changes required. One of the institutional factors that needs attention is the creation of mechanisms that facilitate more productive relationships among labor, management, and government.

This *Policy Commentary* is published as a contribution to public understanding of how the relationship could be improved by the creation of a national mechanism for consultation among these three key economic groups. Professor John Crispo of the University of Toronto, one of Canada's leading students of industrial relations, has prepared an overview of why such a mechanism is needed and how it could work.

One of the contributions he makes is to analyze Canada's past experiences with consultative mechanisms. He also summarizes some of the foreign experiences and presents a framework for the setting up of workable mechanisms in Canada. He emphasizes that the objective of consultation is a key element in the framework. This objective should be a specific rather than a comprehensive one. One that is appropriate now is to create a forum in which these groups confront cooperatively the challenges posed for the labor market by the need to adjust.

This *Policy Commentary* was prepared using a process of consultation, through individual interviews and group discussions of a draft of the manuscript, with leaders of the labor movement, management, and government. During the period of its preparation, the Canadian Labour Market and Productivity Centre was organized by business and labor leaders and financed by the federal government. As Crispo points out, this unique effort may provide a promising mechanism for a cooperative relationship among the three groups.

The views expressed are those of the author. They are intended to reflect his own consultations but do not necessarily represent those of the participants in the study, members of the Institute, or its staff.

Dr. Wendy Dobson
Executive Director

Preface

I would like to thank the C.D. Howe Institute for asking me to undertake this study. The topic has been on my mind for years, but I needed to be prodded to pursue it.

I would also like to thank a number of labor, management, and government representatives for assisting me at various stages in the study. I would like to mention them by name but it was agreed from the outset that they should remain anonymous.

Special thanks are due to Wendy Dobson and to Arthur Kruger, Dean of Woodsworth College, University of Toronto, for their constructive comments on a draft of the study, to Gail Cook Johnson for her help in completing the manuscript, and to Barry Norris for his editorial assistance.

Finally, it is important to outline the biases I bring to this study. For the most part, these biases revolve around a hierarchy of values and institutions that I have always endeavored to champion. Briefly stated, these may be described as fundamental western values, liberal democracy, mixed free enterprise or modified capitalism, collective bargaining, and trade unionism. A word or two about each of these phenomena is in order. Fundamental western values embrace those principles Canadians hold most dear, such as freedom of assembly and freedom of speech. Liberal democracy covers those systems of government that entail government of, by, and for the people, whether under a congressional or parliamentary system or some combination of the two. Mixed free enterprise or modified capitalism refers to an economic system wherein a substantial degree of decisionmaking is left to the interaction of supply and demand in the market place. Collective bargaining involves a process whereby workers are able to deal with their employers jointly rather than on an individual basis. Trade unionism refers to those institutions that give meanings to workers' desire to deal with their employers collectively.

John Crispo
June 1984

Introduction

One of the most difficult obstacles to tackling Canada's current economic malaise is the lack of consensus among business, labor, and government about the problems and how they should be confronted. The role of consultation among these groups as a means by which this consensus might be achieved has not been fully appreciated because Canadians have had relatively little success with such endeavors to date.

One sign of forward momentum has recently appeared, however, with the announcement in late 1983 of the formation of the Canadian Labour Market and Productivity Centre. The purpose of this study is to draw on Canada's experience, and on that of other countries, with consultation among major economic groups in order to identify the conditions that are most likely to lead to productive activity under the Centre's auspices.

One manifestation of Canada's institutions is especially germaine to this study. Both in its pluralistic political system and in its bilateral collective bargaining process, Canada is renowned for its adversarial and confrontational relations. There is much to be said for these types of relations since it is often through conflict that differences are resolved. By resorting to so many conflicting relations, however, Canada doubtless is neglecting the positive potential that lies in cooperative relations. One does not have to be a naive idealist to make the point that all manner of relationships can benefit from a complementary mixture of cooperation and conflict. This point is basic to the central thesis advanced in this study.

This *Policy Commentary* is divided into seven parts. The first two sections provide a brief perspective on Canada's economic malaise and an analysis of the role that more effective consultation among labor, management, and government — not to mention other groups — could play in addressing the challenge presented by this malaise. The next two sections describe Canadian experience with such mechanisms.[1] The fifth section offers a major caveat about coping with inflation, which Cana-

[1] At the outset it is useful to elaborate on the terminology to be used in this study. The title refers to "consultation", while terms such as "consensus" have already been employed. Other terms ranging from "information dialogue" to "corporatism" have been used to describe various proposals put forward over the past few years. "Bipartism" and "tripartism" have also loomed large in the discussions that have revolved around proposals to realize some sort of common approach. No matter what term one chooses to employ, it is bound to be criticized. Frequent use of the term "consultation" reflects the author's search for the least loaded and most neutral term available. Regardless of this intent, readers will doubtless interpret any of the terms employed to suit their own preconceived notions of what is or is not appropriate use.

dian and, to a lesser extent, foreign experience suggests is unlikely to be dealt with effectively by any consultative process. The sixth section draws on the foregoing material to identify the prerequisites for effective consultation among the major parties involved. The concluding section pulls together the basic findings of the study and offers some hope for the future.

Few conventional sources of information were available for this study. Thus, aside from one extremely useful doctoral dissertation and a few briefs, newspaper clippings, and reports, a great deal of reliance has been placed on years of conversations, observations, and interviews with labor leaders, management, and public servants. Whenever sources such as observations have been relied upon, they have been cross-checked to ensure their accuracy.

The Canadian Challenge: A Brief Perspective

There are many diagnoses of Canada's economic problems and many prescriptions that can be offered to help solve the economic challenge facing Canada in 1984. What follows is a synopsis of this challenge together with a theme that could command fairly universal support as one of the keys — if not the principal one — to the Canadian response that is required.

The Economic Council of Canada (ECC) is one authoritative body that has attempted to articulate Canada's economic objectives. The ECC suggested that Canadians should strive for full employment, stable prices, strong growth, balance-of-payments equilibrium, and an equitable distribution of the proceeds.[2] The ECC eventually modified its proposed targets in these areas, which were relatively specific at one time, and never did become very definite about the division of the proceeds. Nonetheless, it did try to come to grips with the appropriate mix of goals or objectives towards which Canada should be working as well as the inevitable trade-offs that are bound to arise among them as they come into conflict with each other.

The current economic challenge can best be visualized in terms of the gap between Canada's performance and its potential. This economic potential is virtually second to none in the world. Just to list Canada's major attributes is enough in itself to make this fundamental point. These attributes include plentiful arable land and fresh water, space,

[2] See Economic Council of Canada, *First Annual Review: Economic Goals for Canada to 1970* (Ottawa: Queen's Printer, 1964).

most of the natural resources known to man, the potential for energy self-sufficiency, good communication and transportation systems, an educated people, and ready — but not unimpeded — access to the single wealthiest market on the face of the earth.

Blessed with such attributes, it is hard to believe that Canada's economic performance could fall as far below its potential as it has in recent years. Neither Canada's inflation rate nor its unemployment rate has been highest, nor even its economic growth the slowest, among the industrialized western countries. But when these indicators of economic performance are combined to produce a crude index of economic misery, it turns out that Canada has recently had one of the worst records in the western world. Unlike countries such as Austria and Switzerland, Canada has found itself saddled with an alternating and ever-worsening cycle of successively higher levels of inflation and unemployment. While inflation had abated dramatically by mid-1984, the unemployment rate has remained at 11 percent and looks like it will decline only slowly in the years ahead.

In the search for a prescription for the current economic malaise, one critical consideration looms large: Canada's competitive position vis-à-vis the rest of the world and particularly its major trading partner, the United States. To put it bluntly, nothing else really matters, economically at least, if Canada does not restore its international competitiveness. To appreciate this critical point, one has only to think about the ECC's economic goals and relate them to the competitiveness issue. Take the stubbornly high rate of unemployment that now afflicts this country. There is no way Canada can approach a meaningful level of full employment unless it becomes more competitive. Governments can spend money on all manner of employment projects but such efforts just will not produce permanent jobs. Only competitive firms and industries can do that. Assuming sound fiscal and monetary management, competition is also vital to keep inflation under control. This is because there is nothing like competitive forces to avoid unwarranted cost and price increases. Competition is also important to ensure a meaningful growth rate, since no such rate can be sustained unless it is based on viable enterprises that can survive domestically and internationally. By the same logic, it follows that unless Canada is more internationally competitive, the overall standard of living cannot be expected to rise. Worse still, an atmosphere of slow or stagnant growth is one in which income redistribution creates social tension — something that did not occur in the past because society was able to take care of such needs using part of the proceeds of growth. If all of these goals are as important to Cana-

dians as they are supposed to be, it is absolutely essential that Canada become more competitive.

Becoming more competitive has never been a unifying theme, however, because of two major obstacles. Both of them can also be seen as challenges to overcome. The first of these concerns inflation and, more specifically, the need to contain it — a prerequisite returned to several times later on. The second challenge relates to productivity and what is necessary to improve it. No country with capital and labor costs as high as those in Canada can become more competitive unless it is in the forefront of productivity improvements. But such improvements require changes that can prove extremely disruptive for those caught up in the process. When the related adjustments are not handled well they lead to resistance to change and everything that goes with it, including the productivity improvements so essential to the enhancement of Canada's competitive position.

There is no way Canadians in general can expect to benefit from becoming more competitive if the costs of the adjustments required to achieve this objective are borne in an unduly disproportionate way by those whose economic position is damaged by adjustment. Much more effective measures must be put in place to ensure that individuals deskilled by changes required to make the country more competitive are retrained and upgraded; that those dislocated along the way are relocated; and that those denied their normal sources of earned income by these disruptions receive an adequate income until they are both prepared for reemployment and are in fact reemployed.

Some of these adjustments can be left to market forces as people respond to changes in the demand for and supply of individuals with different types of skills. Collective bargaining can also play a part by providing for everything from advance notice of change to retraining, relocation, severance pay, and early retirement, to supplementary unemployment benefits, and employer-assisted job placement. Clearly, there is also a major role for government through public programs aimed at these and other types of adjustment programs. The problem is to ensure that such adjustments are handled as economically and efficiently as possible so that the costs involved do not become so great as to discourage the desired and necessary changes.

If anything brings together labor and management, it should be the common desire to make Canada more competitive while using some of the benefits thereby derived to cover the adjustment costs of those who would otherwise suffer unduly and unfairly. Writing about the United

States, Robert Reich has put this challenge in the broad context in which it should be seen:

> As the United States economy has slowed down, all participants in American enterprises — corporate executives, lawyers and financial brokers, lower-level employees, government bureaucrats — have taken advantage of opportunities to increase their own economic security at the expense of others. Every group is reluctant to risk change in its economic status for fear that the burden of change in the economy as a whole will fall disproportionately upon it. But the collective unwillingness of all participants to risk economic change is dooming everyone. America's impasse is rooted in the incapacity of its political institutions to ensure that the burdens and benefits of adjustments will be allocated fairly.[3]

The Case for National Consultation

It has already been noted that Canada has had a history and tradition of pronounced adversarial relations between labor and management in collective bargaining and among labor, management, and government — not to mention other groups — caught up in the public policymaking process. Just to concentrate on collective bargaining for the moment, it is important to recognize that labor and management do have some fundamentally divisive issues to resolve in their ongoing relations.

Most contentious of these issues is the division of income that is available at any one time. There is no immutable law governing the respective shares of labor and management in this income and so disagreements are almost bound to occur. Similarly, differences often arise from management's legitimate drive for productivity improvements designed to reduce costs — including labor costs — and labor's legitimate desire for income and job security.

In both of these areas of traditional disagreement, labor and management are often shortsighted. When it comes to the income available to share, for example, there is invariably a greater tendency to focus on its distribution — which naturally divides the two sides — rather than to work together to increase it. Yet, surely, there is much to be said for fighting over shares of a growing pie. Again, when it comes to the divergence over efficiency and security, both parties can do themselves a mutual disservice when they fail to recognize that there can be no real income or job security for anyone involved unless the enterprise in question is strong enough to survive in the marketplace.

[3] Robert Reich, "The Next American Frontier," *The Atlantic Monthly*, April 1983, p. 107.

The shortsightedness that characterizes a good deal of collective bargaining in Canada also afflicts many other intergroup relations in this highly pluralistic society. Whether it is in labor-management relations, in their respective relations with government, in federal-provincial relations, or in any other kind of relations, all manner of groups in Canada tend to behave unrealistically.

One possible explanation for much of the unrealistic collective intergroup behavior in Canada is the unwarranted notion that there is no limit to what can be extracted from the economy. This totally unreal premise may be a carry-over from the golden decades of the 1950s and 1960s, when it may have seemed as if there was no end to the Canadian economy's ability to generate higher incomes. One can only hope that the 1981-82 recession has put a damper on this kind of self-defeating and shortsighted thinking.

Such thinking, however, may have been replaced in some quarters by an equally disturbing assumption at the other end of the spectrum. Much intergroup behavior in Canada now appears to be based on the premise of a zero-sum game in which groups can hope to gain only at the expense of one another. Some credibility has been lent to this discouraging perspective by the severity of the recent recession and by the slow, uneven pace of recovery since 1983. Any such thinking was doubtless further reinforced when Canada experienced an actual decline in its real output during 1982.

To achieve a more realistic perspective, there is a strong case to be made for a forum where the major interest groups can come together with the objective of trying to improve Canada's economic performance. Such a forum could have a range of possible objectives, from getting together for the sake of getting together — which is pointless unless it eventually leads to something substantive — to trying to achieve a grand consensus on how to achieve goals such as those set out by the ECC — which is probably unrealistic. In between these extremes, one can envisage several stages through which the objectives of such a forum might evolve. Some agreement on the economic facts of life would be most useful, if not fundamental. Setting forth some of Canada's leading economic problems and prospects would be a further step in the right direction, as would any sort of a consensus on what should be some of Canada's medium-term priorities. Some day, in the distant future, it might even prove possible to make some progress on the most divisive issue of all, the appropriate distribution of income.

An excellent focal point for beginning the kind of exercise required would be for labor and management to work out the programs required

to encourage and assist individuals in the labor market to make the adjustments needed to increase Canada's competitiveness. Assuming only labor, management, and government to be involved initially, then there are some broad trade-offs that might prove attractive and even attainable. Labor would have to accept more forthrightly than it already has the legitimacy of management's drive for efficiency, in return for more management and government assistance with the human adjustment problems associated with such a drive. Management, in turn, would have to agree to play a larger part in these adjustment procedures, in return for a freer but more mutual and open hand in pressing ahead with changes designed to enhance Canada's competitiveness. In return for this labor-management compromise, government would have to agree to facilitate both general moves designed to make Canada more competitive and the manpower adjustments made necessary by these moves.

To conclude this discussion, it is once again useful to draw on the work of Robert Reich concerning the similar nature of the response called for in the United States:

> Fundamentally, the United States needs a political forum capable of generating large-scale compromise and adaptation — a national bargaining arena for allocating the burdens and benefits of major adjustment strategies. Such an arena would enable the nation to achieve a broad-based consensus about adjustment. It would enable government, business, and labor to fashion explicit agreements to restructure American industry. Protectionist measures and bailouts to preserve the status quo for particular industries would be difficult to elicit from government if they were demanded and debated in full view of industrial purchasers, emerging segments, consumers, and other groups on whom their costs would fall. Companies seeking financial support or import protection would have to ensure that the measures would be temporary and would serve to benefit the overall economy. Perhaps most important, the single arena could provide a focus for an ongoing national debate about human-capital investment.[4]

Canadian Experience with Consultation

Before turning to the kinds of conditions that would facilitate a meaningful national consultative forum in Canada, it is important to review past efforts to foster labor-management-government cooperation as well

[4] Ibid.

as foreign experiences along the same lines. With this material by way of background, and after a major caveat about inflation, it is possible to determine the ground rules that would provide labor, management, and government with the best prospects for launching a useful consultative process.[5]

One point is worth stressing at the outset of this review of Canadian experience with various types of bi- or tripartite ventures. Labor, management, and third parties — not always including government itself — have had a long history of reasonably successful tripartite relations, albeit in a relatively confined but nonetheless critical area. Most of Canada's labor relations boards involve union and management representatives as well as neutral third party members in the difficult task of administering the applicable labor relations statutes. Historically, Canada has also relied heavily on tripartite arbitration, conciliation, and mediation boards. Not all of these mechanisms are employed as commonly or as effectively today as they once were, however. At least in the overseeing of the framework for the conduct of their mutual collective bargaining relations, labor and management have learned with the help of third parties to work together with varying degrees of success.

The National Productivity Council

Beyond their work together on various types of industrial relations tribunals, labor and management have seldom come together on any sort of consultative basis other than under government auspices. One could go back to some of the Second World War experiences with tripartite bodies of one kind or another, but it seems more appropriate to start this review with the establishment by the Diefenbaker Conservative government of the National Productivity Council (NPC) in 1960. Concerned with Canada's then-lagging economic performance, the government decided that the NPC was needed to promote productivity improvements on an industry-by-industry basis through labor-management consultation.[6] Yet, of the 25 members appointed by the government to the NPC, only five represented organized labor and these were all named by the

[5] For a much more exhaustive treatment of Canadian experience with consultative forms, at least between 1960 and 1978, see Barbara Heather McAllister, "Labour and the State: A Case Study of the Canadian Labour Congress, Consultative Forums, and Incomes Policies, 1960-1978" (Ph.D. diss., University of Toronto, Department of Sociology, 1982).

[6] For a discussion of the NPC, see Richard Phidd and Bruce Doern, *The Politics and Management of Canadian Economic Policy* (Toronto: Macmillan, 1978).

government rather than by the Canadian Labour Congress (CLC) or by any other representative labor body.

Straying somewhat beyond its original mandate, the NPC decided to pursue the need to improve Canada's labor-management relations. Partly to this end, it sponsored a mission to Western Europe to examine various types of economic and social consultative bodies then in place there. The NPC mission was impressed with what it learned and sparked considerable interest in its findings through a series of conferences, seminars, and workshops. In the meantime, however, the CLC's disenchantment with the NPC grew to the point that the CLC President resigned in protest from the Council. At issue was the question of the government's appointment of labor members to the Council, as well as the NPC's relatively narrow focus on productivity as distinct from the general economic and social state of affairs.

Before it was defeated, the Diefenbaker government had introduced a bill calling for a National Economic Development Board as a quasi-planning advisory body very much along the lines that the CLC had been advocating. The new Pearson Liberal government dropped this idea in favor of absorbing the NPC into a new Economic Council of Canada, which was to play more of a consensus-building educational role in the general economic issues confronting Canada.[7]

The Economic Council of Canada

Despite some reservations about the ECC from the outset, organized labor participated fairly fully in its activities until withdrawing in 1976, shortly after the government imposed its 1975 wage controls program. Labor was quite pleased with the ECC's broader terms of reference and with its early enunciation of Canada's economic goals, and especially welcomed the Council's early stand against guidelines and thus, by inference, controls over wages and prices.[8] Some labor representatives did not like their minority position on the ECC, however, nor the method of appointment — labor was allocated only about one-quarter of the seats on the Council and all of these were filled by government appointees — let alone the procedures sometimes followed for approval of the ECC's position papers. All too often these procedures left labor with neither the

[7] See Arthur J.R. Smith, "The Economic Council of Canada," in David C. Smith, ed., *Economic Policy Advising in Canada: Essays in Honour of John Deutsch* (Montreal: C.D. Howe Institute, 1981), pp. 69-92.

[8] See Economic Council of Canada, *Third Annual Review: Prices, Productivity and Employment* (Ottawa: Queen's Printer, 1966).

resources nor the time to react effectively. According to many labor spokesmen, this inability helps to explain how the ECC managed to release a procontrols report in 1975 without any labor dissent.[9] If this was not the last straw, it certainly made it easier for all the labor members except one representative from the building trades unions to withdraw from the Council once the government did introduce controls.

Prior to the imposition of controls at the end of 1975, the government had spent many years trying to talk labor into some form of voluntary wage restraint. With both industrial relations strife and wage settlements rising after the mid-1960s, the government became preoccupied with the notion that organized labor's activities were a major cause of the rising inflation rate. Despite the aforementioned earlier rejection by the ECC of guidelines and incomes policies as a solution to the inflation problem, the government maintained its interest in some such approach. Although leery of something that would amount to little more than a wage restraint program, the CLC did accept the idea of an incomes policy as long as it was directed towards the "creation and subsequent administration of a more socially equitable policy for distributing income in the economy."[10]

The Prices and Incomes Commission

Unwilling to accept anything resembling such a comprehensive incomes policy, the government pursued its interest in a voluntary restraint program through a series of so-called "consensus talks" in the fall of 1968. Despite opposition from both labor and business — based on a mixture of philosophical and practical reasons — the government decided to proceed on its own and declared its intention of forming a Prices and Incomes Commission (PIC) in late 1968. As announced, the PIC's objective was to monitor wage and price movements with a view to developing some sort of restraint mentality built around a program of education, information, and understanding.[11]

The Commission was established in June 1969, and from the very outset it appeared unwilling to accept such a limited mandate. Instead, it called for a National Conference on Price Stability in February 1970, at

[9] See Economic Council of Canada, *Twelfth Annual Review: Options for Growth* (Ottawa: Information Canada, 1975).

[10] Canadian Labour Congress, *Annual Memorandum to the Government of Canada*, Ottawa, 8 February 1967, p. 13.

[11] See Department of Consumer and Corporate Affairs, *Policies for Price Stability* (Ottawa: Queen's Printer, 1968).

which it planned to announce a comprehensive voluntary restraint program agreed upon by all concerned. When labor balked at this turn of events, it was warned by PIC officials that more draconian measures in the form of either comprehensive wage and price controls or harsher fiscal and monetary restraints might be put in place.[12] In retaliation prior to the Conference, the CLC and the Confederation of National Trade Unions (CNTU) issued in October 1969 a joint statement opposing the PIC's efforts to institute voluntary guidelines on the grounds that the proposal was both impractical and inequitable. Together with other developments, this move temporarily drove the PIC back to its original investigative and informational mandate, especially in relation to price increases. By this time, however, labor was so dubious and skeptical about the PIC that no union representative showed up at the Conference. Many of the other interested groups that did participate in the Conference committed themselves to some restraint on their income increases. This commitment was endorsed by a subsequent First Ministers Meeting in February 1970, at which the First Ministers pledged their governments to similar restraints.

Despite its open opposition to many of these developments, the labor movement continued to engage in discussions with the PIC behind the scenes. These meetings became more acrimonious in character, as did those that both the CLC and the CNTU had with the government. Acrimony gave way to outright hostility after the PIC launched a massive publicity campaign in favor of restraint just before it announced its 6 percent wage guideline. Labor's respect for this guideline was limited, especially after the government settled with the then-existing Council of Postal Unions for a 6.8 percent increase.

After the restraint program was terminated on 31 December 1970, and until the Commission's phase-out in June 1972, the PIC concentrated on research into the causes of inflation and on the preparation of contingency plans for a full-scale wage and price controls program. The PIC had come to the conclusion that voluntary restraint would not work and that controls were the only answer if inflation accelerated again.[13] When the rate of inflation did begin to take off in 1973 and 1974, controls, rather than voluntary guidelines or restraints, became the focal point for debate. Whether disposed to them or not, the Liberals, as a minority government, were in no position to introduce controls between 1972 and

[12] McAllister, p. 123.

[13] John H. Young, *Prices ,and Incomes Commission, Summary Report: Inflation, Unemployment and Incomes Policy* (Ottawa: Information Canada, 1972), p. 7.

1974 because of their need for New Democratic Party (NDP) support. By the end of this period, the Conservatives came out in favor of a short-term wage and price freeze to be followed by a comprehensive controls program, an approach that was to become the central issue in the 1974 election campaign.

Despite their own contingency plans for controls, the Liberals denounced the Conservatives for advocating them and won the election largely on the basis of this attack. Having returned to power with a majority, the Liberals were no longer dependent upon the NDP for support in their approach to inflation. As inflation worsened, the government embarked on still another round of consensus talks in an effort to avoid the very controls it had so successfully condemned the Conservatives for advocating during the election campaign. This time, however, the government itself became deeply involved in the pursuit of a voluntary restraint program rather than relying on an intermediary body like the PIC. Central to this effort was the Ad Hoc Committee of Senior Officials on Inflation, which was created in September 1974 and which was chaired by the Deputy Minister of Finance.

Once again, labor agreed to become involved in the discussions on the assumpton that it would neither be made the culprit for the inflation problem nor bear the brunt of any restraint program. This new series of meetings began on a somewhat encouraging if not exactly optimistic note, partly because a few labor representatives were now prepared to admit that high wage settlements could be contributing to the inflationary spiral. As well, the government seemed more prepared to take into serious consideration organized labor's long-standing concerns about equity. An intensive series of meetings took place in the first quarter of 1975, during which some specific proposals for a voluntary restraint program were exchanged.[14] Despite considerable progress towards a consensus, the major stumbling block again revolved around the comprehensiveness of any restraint program. While the government was primarily concerned with limiting wage and price increases, labor favored a broader approach involving all types of costs and incomes and featuring redistribution of income as well as restraint.

Frustrated by the protracted negotiations that were taking place, the Minister of Finance sent the CLC on 1 May 1985 a document entitled, "Proposals for the First Year of Consensus."[15] Although this document

[14] See Anti-Inflation Board, *Chronicles of the Anti-Inflation Board* (Ottawa: Supply and Services Canada, 1979), p. 23.

[15] The Ad Hoc Committee prepared a number of reports on possible restraint rules. This one was the most important and was tabled in the House of Commons on 8 May 1975.

made some concessions to labor on the equity question, it still amounted to little more than a wage restraint program as far as the CLC was concerned. Further aggravating the situation was the fact that this document was leaked to the *Toronto Star*, which on 5 May ran a detailed story of the government's position, two days before CLC officials and ranking officers from its affiliates were due to meet to discuss it. Shortly thereafter, the CLC responded with its own nine-point program, which revealed how large remained the gap between the government and labor.[16] Although subsequent talks were held, it was clear by then that there was little basis for agreement.

Growing concern over the deteriorating competitive state of the Canadian economy and its own political position in light of this deterioration led the government to reconsider its electoral stand against controls. Having failed to work out a consensus on restraint and fearful of the political consequences of resorting to harsher fiscal and monetary restraints, the government began in earnest to gear up for a controls program during the summer of 1975. Following the resignation of the Minister of Finance, John Turner, in September, it became even more imperative for the government to demonstrate that it was in command of the situation because it was losing the confidence of the business community. Thanksgiving Day, 13 October 1975, was chosen as the appropriate occasion to announce the new controls regime, and Prime Minister Trudeau went on national radio and television that evening to do so.

The policy statement tabled the next day in the House of Commons outlined a four-part "attack on inflation." This included fiscal and monetary policies aimed at increasing total demand at a rate consistent with declining inflation; restraint in government expenditure; structural policies to promote a more competitive economy, to improve labor relations, and to remedy problems concerning energy, food, and housing; and finally, a price and incomes policy that established guidelines — the government's euphemism for controls — together with machinery to administer them and to ensure compliance where necessary.[17] Bill C-73, "an act to provide for the restraint of profit margins, prices, dividends, and compensation in Canada," was given Royal Assent on 15 December 1975, and thus began the Anti-Inflation Board (AIB) period.

---

[16] The CLC's program was outlined in *Canadian Labour*, June 1975.

[17] Government of Canada, *Attack on Inflation*, Policy Statement tabled in the House of Commons by the Hon. Donald S. Macdonald, Minister of Finance, 14 October 1975.

Labor was relatively slow to react to the new regime if only because the AIB, in turn, took time to make its impact on wage increases felt. As the power of the new AIB became more obvious, however, the condemnation and hostility of the labor movement began to rise. Aware that it could not mount anything like a general strike to protest the controls, the CLC nevertheless launched an escalating campaign that culminated in its 1976 "Day of Protest" on 14 October, on the first anniversary of the announcement of the controls program in the House of Commons.

In terms of the prospects for national consultation, labor's decision to withdraw from a number of government and quasi-government agencies in 1976 is more noteworthy. Major casualities of this withdrawal strategy were the Economic Council of Canada and the fledging Canada Labour Relations Council, which the Department of Labour was instrumental in launching during the otherwise futile consensus talks that preceded the controls. The purpose of this Council had been to improve industrial relations in Canada. Before its premature demise it had been in the process of examining the feasibility of broader-based collective bargaining in key industries in the federal jurisdiction and the establishment of a central data collection agency for collective bargaining purposes.

At the same time as the CLC was protesting the controls, it was under growing pressure to come up with a constructive alternative for restraining inflation in order to counter the deteriorating image it was acquiring because of its seemingly totally negative approach. This constructive alternative took the form of the famous *Manifesto*, which was adopted at the CLC's 1976 convention with what turned out to be all-too-little understanding of its contents.[18]

One could interpret this *Manifesto* as little more than a warning by labor that it would not tolerate the loss of its collective bargaining rights under a controls regime unless it received a commensurate increase in influence on policymaking in the broader socioeconomic-political arena. In this sense it could be seen as a highly creative proposal for a new approach to public policy formulation. But the *Manifesto* could also be interpreted as going beyond more consultative public policy formulation in its call for a new form of tripartite decisionmaking involving labor, management, and government in a form of corporatism that could eventually undermine Canada's parliamentary system of government.

Central to any such tripartite approach would be an internal trade-off

[18] Canadian Labour Congress, *Labour's Manifesto for Canada* (Ottawa, 1976).

within the labor movement itself, something which the CLC's affiliates were not prepared to accept once they came to appreciate fully what was involved. For more than implicit within the *Manifesto* was the notion that in return for a meaningful voice in national policy formulation, if not in full-scale national planning, the labor movement would restrain its demands at the bargaining table, just as business would give up its unilateral right to determine investment and pricing policies. Such a strategy move would require a significant transfer of power to the CLC from its affiliates, a potential transfer the affiliates did not react to strongly until they began to think through the full ramifications of the *Manifesto*.

As these ramifications permeated the labor movement, the *Manifesto* was rejected in one union convention and one provincial federation of labor convention after another. By the time of the next CLC convention in 1978, the *Manifesto* was dead, although it was never formally renounced. Throughout the convention, however, a great deal of opposition was voiced against any form of tripartism because of growing distrust of the the government. This opposition was channeled into a relatively mild composite resolution that expressed serious misgivings and reservations about tripartism.

Throughout most of this period, the CLC Executive felt quite free to enter into a series of bilateral decontrol talks with the government, during which a broader role for the labor movement in national decision-making was the major focal point for discussion. Despite the Prime Minister's musings about the failure of the market system and the need for some sort of new order to replace it, the government expressed serious misgivings about any *Manifesto*-style tripartism. This skepticism remained even after the CLC sought to clarify its position on the *Manifesto* by making it clear that Parliament would retain sovereignty over all matters, including those dealt with on an advisory and consultative basis by the proposed tripartite council on social and economic planning. In addition, the CLC made it clear that the powerful new labor market board that was being proposed would operate under a mandate enacted by Parliament.

Eventually thoroughly frustrated by its lack of headway with the government, the CLC began a series of meetings with representatives of the business community under the auspices of the C.D. Howe Institute, of which both were members. Later, in 1977, they met with the new Business Council on National Issues (BCNI), formed in 1976, to try to reach a common position at least on the termination of controls. Although the CLC and the BCNI appeared to be rather strange

bedfellows at the time, they shared a common dislike for controls, albeit for different reasons. The CLC and the BCNI presented their joint position on an early termination of the controls program to the government but were rebuffed when they could not offer the government the kind of commitment to voluntary restraint that it wanted. In return for the immediate termination of controls, the CLC and the BCNI did, however, propose a temporary tripartite body to monitor wage and price movements that, in itself, would have represented a major breakthrough and precedent.

As for any broader consultative arrangements, the government was by then promoting the idea of a grand, multipartite forum — something that was opposed by both labor and management, who were sticking by their proposal for a tripartite council. This basic difference in approach, together with the government's insistence on a degree of voluntary restraint that the parties could not deliver, forestalled any hope of agreement before the AIB controls ran their legal course. No formal tripartite talks took place between July 1977 and the termination of the controls.

Tier I/Tier II

The next significant round of talks was essentially bipartite between labor and management, although a few academics and many federal and provincial officials were involved. Impetus for these talks came from a new quarter and for a new reason. As Canada's performance on the employment and growth fronts further deteriorated, there were increasing calls for some sort of an industrial strategy. Responsibility for the government's proposed initiatives in this area lay with the Department of Industry, Trade and Commerce (DITC), which at first tried to generate such a strategy on its own based on limited consultation with the business community and with a view to satisfying what it took to be the Minister's and, to a lesser extent, the Cabinet's preconceived notions. When this more-or-less top-down approach proved futile, DITC decided on a bottom-up approach that it proceeded to sell both to the Cabinet and to the provinces.

Thus began the Tier I/Tier II exercise in 1978, involving 23 industry sector committees at the first level — Tier I — and a coordinating or integrating committee at the second level — Tier II. The original intention seems to have been to rely exclusively on the business community to serve on these committees. The invitation to labor to participate appeared to some union leaders to be more a political afterthought than anything else. Despite this obvious slight and other concerns, labor did play a

significant part in several of the Tier I committees, even though it was in a decidedly minority position on all of them. Labor successfully sought to rectify this situation at Tier II where, from the outset, it insisted on equal representation with management. It was at this level that the over 800 recommendations emanating from the Tier I committees were to be distilled into an overall comprehensive report.

There are several points to be made about the Tier I/Tier II exercise. First, it should be noted that this was essentially a bipartite exercise, with the few academics and many more government officials involved playing an advisory role. Second, labor played an increasingly significant part as the process evolved. Third, it should be stressed that the labor and management representatives got along very well on some of the committees. Some of this harmony was obviously due to the self-serving nature of the process — particularly at Tier I — as labor and management in the same industry reached agreement on how their particular industry could be aided. When it came to Tier II, however, some of their self-serving agreement ran asunder. Thus, while labor and management were able to agree on some controversial directions, such as selective sectoral free trade arrangements with the United States combined with appropriate adjustment assistance, they adopted contrary positions on policies relating to energy, research and development, and taxation. In the end the process probably proved more important than the result. This is reflected in the Tier II Committee recommendations calling for two bipartite committees, one on manpower and one on industrial relations.[19]

The Major Projects Task Force

The next major labor-management exercise took place as a result of the government's short but much-vaunted promotion of megaprojects as a means to keep the Canadian economy moving. To facilitate this process, the Consultative Task Force on Industrial and Regional Benefits from Major Canadian Projects — more familiarly known as the Major Projects Task Force — was established under the auspices of DITC and with the endorsement of the Federal-Provincial Conference of Ministers of Industry held in November 1978. The Task Force eventually became a strictly bipartite effort, thus enabling it to proclaim in its report, "this document represents an unprecedented exercise in business-labor con-

[19] See Second Tier Committee, *Report on Policies to Improve Canadian Competitiveness* (Ottawa: Department of Industry, Trade and Commerce, October 1978).

sultation in Canada."[20] Although many of the Task Force's recommendations were noncontroversial, the important point is that a significant cant labor and management contingent did manage to agree on a range of issues covering everything from necessary data collection, through sound industrial relations practices, to specific manpower programs.

By the early 1980s the attitude of labor and management towards government and towards each other had changed significantly. Both labor and management had grown increasingly skeptical of government ever since their joint proposals for an early termination of the AIB controls program in 1977 had been rejected. This skepticism was reinforced by the government's seeming inability or unwillingness to follow up on the proposals generated during the Tier I/Tier II and subsequent Major Projects Task Force exercises. At the same time, both labor and management were developing more respect for each other and improving their capacity to reach common ground on a number of issues while retaining their different perspectives on others.

Recent Experience with Consultation

Labor and management have continued their bipartite talks under one guise or another, while a variety of other bipartite and tripartite contacts have involved various combinations of labor, management, and government. During the 1980s, these different forums have produced a range of proposals for collective bargaining data-gathering agencies, labor market boards, and productivity centers. Most recently, the CLC and the BCNI decided to combine their earlier requests for a separate labor market board and productivity center into one body. At their joint request, the government has now established the new Canadian Labour Market and Productivity Centre, which it has agreed to fund for five years even though the only voting members of the Centre's Board will be its labor and management representatives. In addition, the government announced in its most recent throne speech a new Industrial and Regional Development Board, to be co-chaired and manned jointly by labor and management, for the purpose of offering advice and counsel on how to foster industrial development across Canada.[21]

---

[20] Consultative Task Force on Industrial and Regional Benefits from Major Canadian Projects, *Major Canadian Projects, Major Canadian Opportunities* (Ottawa: Department of Industry, Trade and Commerce, June 1981), p. 9.

[21] Parliament of Canada, *Speech from the Throne to Open the Second Session, Thirty-Second Parliament* (Ottawa, December 1983). The co-chairmen were appointed in January 1984.

This review of Canadian experience with consultative arrangements has been confined to the federal level. Suffice it to say that no provincial jurisdiction has produced anything like the range of efforts to be found federally. Most provinces have tripartite-type arrangements for limited purposes — Ontario's Quality of Working Life Centre, for example. Some provinces, such as Quebec, have sponsored large tripartite conferences, if only for public relations purposes. Others, such as Ontario, seem to prefer more informal, behind-the-scenes gatherings where a few key leaders can get together to try to narrow their differences. In addition, some private groups, such as the Niagara Institute, arrange seminars designed primarily to bring together various combinations of labor, management, and government to see if they can at least enhance their mutual understanding of each other's positions. At various times since the 1950s, the C.D. Howe Institute and its predecessor organizations have convened committees in which labor members have been active participants in off-the-record policy debate and in research.

Conclusion

Many lessons can be drawn from Canada's numerous attempts to launch a successful forum for national consultation. Most of these lessons are better dealt with later, after a brief but similar review of some foreign experience in this area. In the meantime, perhaps the most important insight to be derived from Canada's experience with national consultation lies in the fact that the willingness for such consultation has to be there. Attempts at consultation keep recurring relentlessly, no matter what the state of the economy or how many elections, CLC conventions, wage control programs, or *Manifestos* come along to interrupt them. In fact, it is sometimes amazing how fast the climate seems to change. To illustrate this point, one need only cite two articles by Ed Finn that appeared in *Labour Gazette* in 1978. In the February-March issue, Finn takes a very pessimistic position on the outlook for any form of tripartism. Yet only a few short months later, he authored a follow-up article entitled "Brighter Prospects for Tripartism in Canada."[22] If there is any validity to that old adage, "Where there is a will there is a way," then there remains a great deal of hope for some kind of meaningful labor-management-government consultative exercise at the national level in Canada. If by

[22] Ed Finn, "Tripartite Consultation at the National Level," *Labour Gazette*, February-March 1978, pp. 65-70; idem, "Brighter Prospects for Tripartism in Canada," *Labour Gazette*, July 1978, pp. 299-300.

nothing else, this hope should be sustained by the unpalatable alternatives, which include everything from another round of draconian controls to a further dose of the devastating stagflation to which Canadians were recently subjected.

Foreign Experience with Consultation

Having reviewed the history of various Canadian experiments with national consultation, it is now appropriate to examine a few relevant foreign experiences. As there is a great deal of material available on these experiences, the objective of this section is to analyze the more salient and successful ones to see what can be garnered from a Canadian point of view.[23]

To begin, however, it should be emphasized that it is extremely risky to try to transfer or transplant one country's industrial relations successes to another. This is because one has to allow for the many attitudinal and institutional differences that exist among countries. It is usually more appropriate, therefore, to think in terms of adapting, rather than adopting, another country's experience.

One of the most defined and focused examples of labor-management-government cooperation is to be found in the Swedish Labor Market Board. Operating within an agreed-upon statutory framework, this tripartite board is responsible for virtually the entire range of manpower programs in Sweden. Aside from such common features as retraining, upgrading, relocation, and income maintenance, the Board's mandate includes Sweden's famous investment-reserves plan. Under this plan, firms are provided with tax incentives that encourage them to set aside funds in good times; they are then free to use these funds in bad times or to facilitate development in regionally depressed areas. The Swedish Labor Market Board has proven that labor and management can work jointly with government on matters of such common concern and interest. Over the years, the Board has worked hard to ensure that Sweden's labor market policies complement that country's overall industrial development policies. Nonetheless, the long-standing success of the Board may depend more on its relatively narrow and precise terms of reference than on anything else.

---

[23] For a much more comprehensive analysis of the author's view on this subject, see John Crispo, *Industrial Democracy in Western Europe: A North American Perspective* (Toronto: McGraw-Hill Ryerson, 1978).

Sweden also provides an interesting starting point for labor-management-government exercises designed to reconcile collective bargaining objectives with broader socioeconomic and political developments. Until recently, Sweden's highly centralized bargaining system contained a significant element of tripartism, even if only in an indirect manner. Thus, when the major "social partners" — as the Swedes and Germans and some others like to term labor and management — were negotiating their well-known framework agreements, the Swedish government was closely monitoring their progress. It always managed to make labor and management well aware of the fact that the limits to its social program improvements and to public spending in general were largely contingent upon what the private interest groups insisted on extracting from the economy for themselves. While this approach never amounted to formal tripartite bargaining, it did ensure that all sides were conversant with the broader economic and social ramifications of their actions.

A similar result was achieved for several years under West Germany's now-defunct Concerted Action Committee. Originally established with the primary objective of trying to curb inflationary pressures, this Committee was composed of representatives from labor, management, and government, as well as from the central bank. When it was working most effectively, the Committee provided all those participating with a shared perception of the economic facts of life confronting West Germany. So common was this perception that during one set of trying steel negotiations, which eventually led to a strike, the parties commenced their negotiations only two percentage points apart. Although the parties had their differences, these fell within realistic limits determined by their common awareness of the limits to the West German economy's capacity to generate larger income increases while meeting its other objectives.

Although the Concerted Action Committee was a casualty of some general political infighting in West Germany over other matters in 1976, it is survived by the highly respected Council of Economic Experts on Economic Development, which continues to publish periodic reports on the economic state of that country. Just as these reports once formed the basis for deliberations in the Concerted Action Committee, they now appear to serve as a guide for the activities of the social partners, who still seem to be influenced by these broader considerations.

In many other West European countries — including Belgium, France, and the Netherlands — various types of tri- or multipartite economic and social councils bring together the major interest groups on a regular basis. Even though these councils are sometimes tied in with one kind of

loose-knit planning agency or another, their impact should not be exaggerated. At best — and this is pushing the point — they may affect the general climate within which collective bargaining and related activities take place. Beyond this, such councils can play a potentially useful role in times of national economic crisis.

Perhaps the most grandiose attempt to bring major interest groups into broad socioeconomic and political policy formulation is represented by the Economic and Social Committee of the European Communities, including primarily the European Economic Community. This is a tripartite body composed of labor and management but not of government. Instead, the third element is drawn from among academic, consumer, farm, and professional groups. The role of the Committee is to provide advice and counsel to the European Parliament on all proposals brought before it by the Council of Ministers. This role is still evolving, in the hope that it will develop into an effective multipartite consultative arrangement without compromising the ultimate authority of the legislature.

Some reference must also be made to the current situations in both Austria and Japan, since they receive so much attention from those looking for a model to emulate in Canada. With respect to the position of organized labor, these two countries represent a marked contrast. Organized labor is very powerful in Austria, where all private interest groups are, in effect, "chamberized" by laws compelling their potential members to belong to an affiliated organization. Thus, all workers have to belong to the Chamber of Labor, which complements the activities of the Austrian Federation of Trade Unions. When this principle is extended to all economic interest groups — as it is in Austria — the net result is something approaching a democratic corporate state. As part of this system, there is a Parity Commission for Wages and Prices that has extensive potential control over the prices of many essential goods and a commensurate degree of influence over wage claims. The Parity Commission can actually limit certain price increases whereas it cannot limit wage increases. The fact that the latter tend to be voluntarily restrained is commonly attributed to labor's treatment as a full economic and social partner within the overall system.

This is in sharp contrast to the Japanese system, where labor is at best a junior partner in any national deliberations that take place. What was and what remains of so-called "Japan Inc." is essentially a business-government planning exercise with little or no labor input. Although labor in Japan is well-organized on an enterprise basis in the large corporations, it has seldom been a power to be reckoned with at the national

planning or quasi-planning level, where endeavors are made to ensure that the country achieves its desired combination of economic objectives.

What is to be learned from this foreign experience? First, labor-management-government consultation is most likely to work when labor is accepted as an equal in the process. As already emphasized, this is reflected in the concept of social partnership, especially in Austria and West Germany. Second, labor-management-government cooperation has proven most effective and enduring when it has focused on a continuing and relatively specific task such as labor market adjustment. This is borne out by the experience of Sweden's long-standing Labor Market Board. Following from this second point is the corollary that consultation has proven more difficult to sustain the more comprehensive the mandate. While the social partners can often reach some consensus on how to achieve more employment and growth, this consensus is likely to prove more fragile as they try to tackle the problem of inflation, since it invariably involves questions about the distribution of income concerning which there is no basis for agreement. This is why alternative means of coping with inflation other than through consultation must be explored before the role of consultation itself can be placed in its proper perspective.

A Major Caveat: Coping with Inflation

Both domestic and foreign experiences suggest that it would be most unwise to try to launch a national consultative program with income restraint as one of its hallmarks. Canadian experience, in particular, reveals that attempts at national consultation will almost certainly flounder if they are based on the notion of anything like a consensus on voluntary income restraint, as the Canadian government has so often made its priority in these endeavors.

There are two reasons for this major caveat. First, any restraint program invariably involves assumptions about the desirability of the present distribution of income, yet there is nothing close to agreement on this question. Every time the government has promoted voluntary restraint, the labor movement has made it clear that it will have nothing to do with any such program unless it includes a significant degree of income redistribution. This condition is quite legitimate and natural, as the existing distribution of income is hardly sacrosanct from labor's point of view.

Second, the parties involved are in no position to deliver on any commitment they might make with regard to income restraint. Take the labor

movement by way of illustration. It is so decentralized and fragmented that it is incapable of making a central overriding commitment to any kind of restraint, as was so aptly demonstrated during the debate on the CLC's *Manifesto*, which was eventually rejected by its own affiliates and federations. This has proven a problem even in countries that are not characterized by anything like the Canadian labor movement's decentralized and fragmented character.

At the heart of the problem for the labor movement is what may best be described as a kind of macro-micro trade-off in which it has to engage if it is to be able to participate on a meaningful basis in any sort of useful incomes policy. At the macro level, labor has to be able to extract enough concessions from government and, to a lesser extent, from management to be able to persuade its various component parts that they should be willing to compromise their autonomy, at least to the point of backing off on their demands at the micro or enterprise level for a given period of time. Essentially, this is what Britain's social compact or contract was all about, and the record there reveals how unsuccessful that exercise ultimately proved to be. Suffice it to say that there is even less prospect of such an exercise working in Canada in the foreseeable future. It might prove feasible at some future date, but only after a lot of mutual confidence-building and institution-changing has taken place.

What has been said of the labor movement in this context is true of virtually every other interest group in Canada. All share to some degree organized labor's decentralized and fragmented character. Few if any of them could persuade their members to agree to anything resembling a sustained voluntary restraint program, even if occasionally they might have professed some belief and faith in such a program.

None of this is to suggest that curbing inflation remains anything other than a matter of high priority. Indeed, if Canada is to become more competitive and to find the means of solving many of its other economic and social problems, it must come to grips with inflation more effectively than it did for much of the 1970s. Otherwise, the effect will be to dissipate the positive results of any improvements in productivity and to further erode the standard of living.

If inflation is to be reduced on a continuing basis, it will require a package of measures. Most important of these are responsible fiscal and monetary policies combined with sensible debt management and exchange-rate policies. To the extent that inflation is also caused by structural imbalances, it will also require some method of dealing with excessive cost and income pressures. Superficially, this may seem to suggest the need for some form of cost and income restraint program, either

in the form of guidelines or controls. In practice, the only case to be made for guidelines or controls is for their likely shock effect and to buy time for the government to put in place more effective anti-inflationary policies. While guidelines and controls often have a shock effect, they have seldom, if ever, been used by Canadian governments for the latter purpose. Instead, they have served as convenient but inexcusable substitutes for more sensible policies. In this sense, guidelines and controls might best be described as a fraud designed as a sideshow to distract attention from government's shortcomings in fiscal, monetary, and related areas of policy. Moreover, they jeopardize the prospects for making any headway on the consultative front.

Guidelines represent a foolish policy option for Canada for a number of reasons, not the least of which is that income guidelines are more likely to become a floor, rather than a ceiling, for every group's income claims. Equally important is the point that has been made at several stages in this study: Canada's institutional arrangements for cost and income setting are simply too decentralized and fragmented to lend themselves to anything like a guidelines approach. Even in countries that do not have this problem, guidelines have had the desired effect for only a very brief period of time, at best.

Controls represent an even greater menace because of what they produce in terms of administrative and bureaucratic empires; costly battles between armies of unproductive accountants, consultants, and lawyers; and uneconomic and unfair anomalies, distortions, and inequities. Worst of all, controls, like guidelines, focus on the symptoms rather than on the sources of potential trouble spots in the economy. To the extent that there are sources of continuing excessive cost-push pressures in parts of the system, it makes more sense to address the sources of market power than to try to impose a temporary guidelines or controls regime on the entire economy.

Finding an Appropriate Mechanism

Rather than guidelines or controls, then, a mechanism should be considered that complements macroeconomic policies. One such approach could involve a cost and incomes commission that has a mandate to monitor all costs and income movements in order to identify groups that have been receiving increases flagrantly or persistently out of line with their peers. In the case of professional groups, for example, the first target for attention would be any group that has been outstripping the average increases for all professions.

Having identified such out-of-line groups — be they fee, price, or wage setters, public sector or private — the first task of the commission would be to determine whether there is a shortage in effect for the good or service involved. Assuming that to be the case, the commission could then explain the logic, if not the necessity, of the seemingly excessive increase in costs or incomes and recommend whatever measures it deemed appropriate to alleviate the shortage in question as quickly as possible. Where no shortage exists, an alternative explanation would obviously have to be found. This would doubtless require a somewhat more exhaustive analysis designed to determine what powers or prerogatives the group in question enjoyed in order to enable it to extract such an excessive increase.

Based on a preliminary study of the situation, the commission could then hold public hearings to which interested parties would be invited — and if necessary subpoenaed — to state their side of the story. Thereafter, the commission would retire into executive session to decide on its final findings and recommendations, which would then be made public. It would then be up to the appropriate federal or provincial government to take whatever follow-up action that would be required to curb the undue powers of any out-of-line group.

The idea behind this approach would be to make all groups more conscious of the public interest when taking private actions. After all, virtually no group ever behaves in the public interest unless it is in its own self-interest to do so. The challenge is to make all groups more acutely aware of the public interest by making it clear that if they become party to excessive cost or income increases, they will become vulnerable both to close public scrutiny of their activities and to the potential loss of some of the powers and prerogatives they have acquired.

For a cost and incomes commission to undertake the task envisaged here, it would probably have to meet at least three tests. First, it would have to have a status somewhat akin to that of the Auditor General. Second, such a commission would have to be federal-provincial in character because so many of the problems requiring its attention would lie outside federal jurisdiction. In passing, it should be noted that in view of the advisory nature of the commission, it would not matter if a few of the provinces failed to participate as long as Ontario or Quebec and one or two others went along with the idea. Finally, it would be desirable to make this a representative commission so that all those potentially affected would be assured of at least one understanding, if not sympathetic, member. One possibility would be a commission composed of one federal nominee, two provincial nominees, and one nominee each

from labor and management, as well as from agriculture, consumer groups, and the professions.

This altogether different approach and composition is called for because the purpose of such a commission, unlike that of a national consultative body, would not be to reach consensus. Instead, its purpose would be to provide sufficient checks and balances in the form of competitive and/or countervailing forces to ensure that no economic interest group can make undue claims on the system.

Tackling inflation is such an important part of the challenge confronting Canada that it cannot be ignored in a study of this kind. Since the cost-push component of the inflationary process cannot be dealt with through a national consultative body, it is vital that it be handled by a complementary mechanism such as the cost and incomes commission suggested here. Otherwise, a critical component required to realize Canada's economic potential will be missing from the scene.

Having such a commission in place would also be advantageous from the point of view of any national consultative body. Freed of responsibility for keeping inflation in check — which it could not hope to do anyway — a consultative body could then concentrate on matters where there is some reason to believe that progress can be made on a cooperative basis.

Prerequisites for Effective National Consultation in Canada

Many conditions or ground rules can be suggested to enhance the prospects for some form of effective national consultation in Canada. Those recommended here are based on the earlier review of Canadian and foreign experiences with consultative mechanisms of one kind or another. After discussing appropriate objectives for a national consultative body, a number of constraints are raised that will have to be borne in mind. Among these are the need both to protect the sovereignty of Parliament and to avoid anything like a corporate state; the recognition of constraints imposed by the decentralized and fragmented character of just about everything that is relevant to national consultation in Canada; the choice of an appropriate format, whether bi-, tri-, or multipartite; the method of selection of representatives on the consultative forum; the importance of continuing contacts at all levels of labor, management, and government; and last, but not least, the respective roles of government, labor, and management in the consultative process.

Objectives and Terms of Reference

Having ruled out an attack on inflation through anything like an incomes policy as an appropriate objective for a national consultative body in Canada, what should be the goals and terms of reference of such a body? These may be determined by applying what has been said earlier on this subject to the Canadian Labour Market and Productivity Centre.

A central objective of the Centre could be to focus on the critical link between manpower adjustments and increasing productivity. It is in the mutual interest of both labor and management to use the Centre to work out the *quid pro quo* that exists between these two elements. Obviously, some of the benefits of increasing productivity must be used to absorb some of the costs of the concommitant manpower adjustments. But these adjustments — including retraining, upgrading, relocation, and income maintenance — must be handled as efficiently as possible lest the costs involved absorb too many of the benefits to be derived from increasing productivity.

Even within this productivity-manpower adjustment nexus, the Centre would be unwise to commence on too grandiose a mission. Canadian experience reveals that labor and management — if not government as well — are more likely to find some common ground if the terms of reference of any joint venture to which they become party are limited and specific. This point was clearly demonstrated by the Tier I/Tier II and Major Projects Task Force exercises referred to earlier. As was stated by the Tier II Committee:

> An important result of this process has been the realization that when business and labour focus on specific problems or actions, wide areas of agreement can be found. In our view this provides a useful indication for any future activities of this kind; namely, that progress is more likely in cases where attempts are made to come to grips with industry sector-related or specific problems rather than with those aimed only at establishing broad principles or goals.[24]

It is also important in any national consultative process that the focus not be so short-term as to encourage involvement in immediate crises situations in either the labor-management or political arenas. Intervention in such crises is likely to bring out the normal adversarial instincts of the parties involved, thereby jeopardizing the more cooperative spirit they are trying to develop. Over time, effective national consultation

[24] Second Tier Committee, p. 32.

mechanisms may develop the capacity to be useful during such crises, but even then it is likely to prove a risky business.

In keeping with their avoidance of current crises, it is both desirable and feasible that those involved in national consultative exercises be granted sufficient time to accomplish their assigned tasks effectively. Again, it is useful to cite the Tier II Committee report, which, in a masterful understatement of the problem this constraint imposed, protested the limited time made available:

> The Committee and the Task Force were concerned that the very limited time frame imposed upon them necessitated less than thoroughly developed and documented reports. It is unrealistic for business and labour to resolve the complex issues dealing with manufacturing in Canada in a three-month period.[25]

Whatever the focus or time limits imposed on any national consultative exercise, many other procedural ground rules are required to make consultation effective. One of the most important of these was demonstrated by the Major Projects Task Force, which did not try to gloss over with specious statements the differences that arose between the parties. Rather, it stated those differences clearly and frankly, which is critical if these exercises are to have any real meaning.

Above all else, it is perhaps most important to avoid false expectations if any form of national consultation is to be enduring. If more is anticipated from such consultation than it can realistically deliver, then disillusionment is bound to set in and undermine its prospects before it has a chance to prove itself worthy of any continuing support.

Protecting the Sovereignty of Parliament and Avoiding the Corporate State

Turning to the constraints that are bound to have an impact upon national consultative mechanisms, it is useful to begin with concerns and fears about such mechanisms overriding or usurping Parliament's authority or sovereignty, perhaps even to the point of creating a corporate state. For present purposes, a corporate state may be described as one within which major public policies are decided by some sort of consortium of private economic interest groups, with whatever legislature exists being relegated to little more than a rubber stamp for the consortium's collective decisions.

---

[25] Ibid.

In a democratic pluralist state, in contrast, the authority of the legislature has to be protected subject only to the usual constitutional and judicial constraints designed to ensure that there is little or no infringement on commonly held values. In the Canadian context, this point was clearly recognized in a well-balanced qualification contained in the Tier II Committee report, even though it was stated in terms of the responsibility of government, rather than of Parliament:

> Both labour and business members of the Committee recognize the fundamental democratic responsibilities of elected governments to govern. The Committee, in putting forward recommendations for government action, does not seek to share this responsibility; governments must be responsible for the decisions they take. The Committee does believe, however, that labour and business should be more actively involved in the process prior to decisions being made.[26]

Reinforcing the position taken by the Tier II Committee, Sylvia Ostry made essentially the same point in an equally telling manner:

> [W]e must never lose sight of the fact that, in a democracy, the political process is, and must be, the ultimate decision-making process on issues of public policy. Someone, in the end, must say yea or nay and that someone must be government. To question that fundamental proposition is to raise the issue of corporatism. And no matter how benign it might be, corporatism is simply incompatible with democratic pluralism. Government is *not* simply one of many social partners: it is directly responsible to Parliament which alone has the authority to be the final arbiter. This is especially important in Canada, which must be one of the most pluralistic of all societies. Special interest groups alone cannot speak for their members because Canadians have regional, social, economic and cultural interests which fall outside the competence of these groups. But without questioning the primacy of the political system in deciding public policy, it can be argued — without much effort — that the system may not be sensitive enough or informed enough as it goes about its business of making decisions. It is, in a word, not perfect and never will be. Consultation, dialogue, communication — whatever you wish to call it — is a very necessary part of the process.[27]

Thus, national consultation should amount to just that and no more. Having made this point, however, it must be added that so little progress

---

[26] Ibid., pp. 5-6.

[27] Sylvia Ostry, Speech to the Annual Conference of the Canadian Association for Business Economics, Ottawa, 11 May 1978, pp. 5-6.

has been made in this area thus far in Canada that it seems almost ludicrous to warn of any threat to Parliament's authority or sovereignty, let alone anything like a corporate state. It was really a combination of Prime Minister Trudeau's musings and the CLC's *Manifesto* — both of which lent themselves to a corporate state interpretation — that gave rise to concern about such a possibility. At some point this possibility could become a legitimate concern, but long before that the federal government and its provincial counterparts could learn to listen and respond to a lot more advice and counsel from labor, management, and other economic and social interest groups.

Recognizing the Constraints Imposed by Decentralization and Fragmentation

Canada can be a difficult country to govern, let alone comprehend, in every sense and especially with respect to its industrial relations. Aside from the fact that Canada has many of the characteristics of a vertical mosaic, this is because it is so decentralized and fragmented, in terms of both federal-provincial relations and labor-management relations. This combined phenomenon is epitomized by the fact that the provinces have jurisdiction over 90-95 percent of the collective bargaining that occurs in Canada.

Any system of national consultation in Canada must work within this decentralized and fragmented framework. The structure of the Canadian labor movement is illustrative. By far the most important national body in this movement is the CLC, whose affiliates represent roughly 60 percent of the organized workers in Canada. Outside of the CLC are the Quebec-based CNTU and the Canadian Federation of Labour (CFL), which represents most of the building trade unions. In addition, there are some other smaller councils of unions as well as many independent unions of one kind or another, the most noteworthy of which is probably the Teamsters.

The CLC itself has virtually no control over its affiliates when it comes to collective bargaining. While it serves as their spokesman nationally and internationally, the debate over its *Manifesto* proved how sensitive its affiliates are to any move by the CLC to increase its authority at their expense. The CLC's affiliates jealously guard their autonomy, especially in the collective bargaining arena. Even if the affiliates could be persuaded to yield some of this autonomy, many of them would have a great deal of trouble with locals that are just as insistent about their own negotiating rights.

Management, too, is very decentralized and fragmented in Canada. Employers in British Columbia are the most organized for industrial relations purposes: the Employers' Council of British Columbia is the best organized and most effective coordinating body for employers in Canada. British Columbia is also the home of federated bargaining, a system under which groups of employers in an industry bargain jointly with the unions involved rather than subject themselves to divide-and-conquer tactics. Yet even in British Columbia there are always enough maverick employers around to break whatever form of common front other employers try to put together. At the national level, management is terribly splintered between a wide range of industry-specific groups — such as the Canadian Construction Association — and a variety of more composite groups — such as the Canadian Manufacturers' Association (CMA) and the Canadian Federation of Independent Business (CFIB). Most encouraging of late has been the emergence of the BCNI as one of the major spokesmen for management at the national level. Unlike other business groups, the BCNI had demonstrated the capacity to deliver a strong management consensus on a number of contentious policy issues. It does not, however, pretend to act on behalf of its members as a national bargaining unit.

The outcome of this decentralization and fragmentation in federal-provincial relations, in the labor movement, and in management is a splintered collective bargaining system. This is because most negotiations in Canada take place in bargaining units that are neither firm- nor industry-wide. Rather more often than not, negotiations are confined to an individual work unit such as an office or plant. This fact of industrial relations life has to be an overriding consideration, setting limits on what can be accomplished through national consultation, even when it does not impinge on collective bargaining *per se*. Otherwise, national consultation will be doomed to failure before it has a chance to get off the ground.

The Format for Consultation: Bi-, Tri-, or Multipartite?

The format of a national consultative form in Canada is a critical and controversial issue. Beginning with their joint talks during the debate over the postcontrols period in 1978, labor and management developed considerable confidence in the bilateral approach. Indeed, many labor leaders now believe this to be the route to follow because, given parity with management in such bilateral arrangements, it is the only way to ensure that labor is not placed in a minority position from the outset. At

most, these labor leaders would grant government representatives observer status with full voice but no vote.

There is another reason why many labor and management representatives involved in previous tripartite exercises have come to favor a bipartite approach. Whenever government has taken the initiative and been involved as the third party, it has tended to set the agendas, prepare the background materials, and otherwise abuse the process. Not unnaturally, the underlying purpose behind this government orchestration has frequently been political, either in terms of content, timing, or both. Yet this is hardly the basis upon which to construct an acceptable process of national consultation.

The risk with the bilateral approach is that it can become a self-serving labor-management exercise, with no one present to uphold what might be construed as the wider public interest. This is precisely the criticism made of some of the Tier I reports, even though each task force had one voting academic member and many government observer-participants were involved. More recently, similar but stronger criticism has been leveled at the industry task forces set up in 1983 by DITC. To quote from a strongly worded editorial in the *Financial Times of Canada,*

> Federal Industry Minister Ed Lumley had a half-baked idea last year. Canada needs an industrial strategy, he said, and the best way of developing one was to set up a series of "task forces" to investigate various key industries....
>
> If last week's report from the task force on the Canadian motor vehicle and automotive parts industries is any indication, the half-baked idea is going to produce a series of half-baked results.
>
> The eight members of the automotive task force — six company executives and two union executives — were charged with developing strategic and policy alternatives for the Canadian automotive industry. What they delivered was a frequently self-serving review of the crisis faced by the industry and a recommendation that Ottawa initiate protectionist trade measures to shield the industry from competition.[28]

Regardless of the merits of such reports, the results are vulnerable to the charge of being self-serving as long as all those involved have such a vested interest. This is one of the major reasons for promoting tripartite or even multipartite approaches to such endeavors. Tripartite ventures normally involve labor, management, and government, the latter

[28] "Self-Serving Auto Study," *Financial Times of Canada,* 23 May 1983, p. 9.

because it is supposed to represent the public interest and because it has to decide on any follow-up.

For a time just before and after the termination of controls in 1978, the federal government was promoting the idea of a large multipartite forum involving many of Canada's economic interest groups. Labor was opposed to this concept, primarily because of problems it felt it had with representation, especially since it would have been in a decidedly minority position. Management, too, appeared to regard the idea with skepticism, at best. In any event, no such forum ever emerged and it is unlikely to do so in the near future.

Ideally, one could look forward to a multipartite national consultative body along the lines of the European Economic and Social Committee. It will be recalled that this Committee is divided three ways among labor, management, and other interest groups in society, with the government component — in this case the governing bodies of the European Communities — being reduced to that of an observer on the grounds that it will have the final say anyway. In the long term, there could be considerable merit to such an approach in Canada, if only to bypass the problem of federal-provincial rivalry by having neither level of government represented in a broadly based national consultative forum.

In the meantime, a much more cautious approach is obviously in order. To get started, therefore, it would seem most appropriate, as in the case of the new Labour Market and Productivity Centre, to have a bipartite forum with both levels of government represented only by mutual agreement in the form of a limited number of nonvoting members or observers. Eventually, this could evolve into a more formal tripartite or even multipartite arrangement.

Selecting the Labor and Management Representatives

Whatever the format of a national consultative forum, controversy is inevitable over the method of selecting the labor and management representatives. To begin, let it simply be said that there has to be equal labor and management representation, if for no other reason than the fact that labor is entitled to nothing less than parity. Labor found out during the Tier I exercise just how much influence it had when it was in a weak minority position. As a result, it insisted on parity on both the Tier II Committee and the Major Projects Task Force. This precedent has wisely been followed in the Canadian Labour Market and Productivity Centre.

It also stands to reason that labor and management should select their

own representatives on consultative bodies. This they have done in the Centre. Governments often prefer to select the labor and management representatives in an effort to ensure more compatible results by avoiding outspoken critics. But this detracts from the representative nature of the consultative process and for this reason alone is not acceptable. Perhaps the government should be allowed to select some representatives from lists submitted by labor and management organizations. Even this approach, however, suggests that government does not trust their judgment and therefore is likely to prove counterproductive.

Use of the term "representative" raises the contentious question of which organizations should be deemed to be the most representative labor and management bodies. On the labor side, the CLC is by far the most representative body in Canada. It has affiliates with members in every province and represents unions in virtually all organized industries. Its rival federations are either industry- or province-specific, and can claim nothing like the CLC's broad-based constituency. This being the case, the CLC should be granted the right to select most labor representatives on any national consultative body. The CFL and the CNTU are the other logical labor organizations to select representatives.

On the management side, there are a number of national organizations that could legitimately lay claim to representation on any such body. Two of the most broadly based and long-standing of these are the CMA and the Canadian Chamber of Commerce (CCC). Another obvious contender is the CFIB. Yet, the most appropriate management claimant to a predominant position similar to that of the CLC on the labor side is the BCNI. Although a newcomer to the scene, the BCNI not only represents the chief executive officers of the largest enterprises in the country but also has on its policy committee the chairmen of both the CMA and the CCC as well as the Conseil du Patronat du Québec. In addition, over the past few years the BCNI has worked effectively with the CLC in taking a number of initiatives, including their recent successful call for the Canadian Labour Market and Productivity Centre. Members of the Centre have been selected in accordance with these recommendations. Thus, the CLC named the majority of the Centre's labor members, and the BCNI together with other national business organizations selected its management members.

The Importance of Continuing Contacts at All Levels

It is critical that joint service on a national consultative body by key labor and management representatives not be the only meaningful level

of contact between these parties. Those at other levels in the labor, management, and government hierarchies must somehow also be involved in any consultative processes. To ensure this kind of contact will probably require everything from national conferences, through industry summits, to regular meetings of the behind-the-scenes research and technical people.

The importance of these kinds of multilevel contacts is perhaps best demonstrated by reference to West Germany's comprehensive system of industrial democracy. Critical to an understanding of the practice of codetermination at the company board level in that country is the fact that union and worker representatives on these boards do not operate in a vacuum. Rather, many of these representatives also serve on company or plant works councils and on other bodies where all kinds of labor-management interplay take place at lower levels in the enterprise. Many other examples could be cited to show that no constructive labor-management or labor-management-government exercise can work well at any level unless it is complemented and reinforced by complementary relations at other levels.

The Role of Government

The federal government can take a number of steps to promote more meaningful forms of national consultation than it has in the past. The government could demonstrate a more serious and sincere interest in the consultative process; do more to elevate organized labor to the position of an equal social partner in any such exercise; upgrade the role and status of the federal Department of Labour; and be patient about the results of national consultation.

To begin with, the government probably will have to go to some lengths to convince labor and management that it is serious and sincere about soliciting their advice and counsel through national consultation. At the very least, this will require that the government handle its end of the exercise much more sensitively than it has in the past. All too often, when the government — or its agencies — has been at the center of previous consultative endeavors, those involved have not received the materials they required well enough in advance of meetings to make any intelligent use of them. Worse still, in a number of instances where labor and mangement have reached some sort of consensus — as in the Tier I/Tier II and Major Projects Task Force exercises — the feedback from and follow-up by the government has been far from adequate. Nothing will disillusion participants in any consultative process faster than the

feeling that their efforts are to no real avail. The only thing worse would be the sense that their efforts were being thwarted by public servants or that they were being used for political purposes.

Government as well as management will have to learn to accept labor as a legitimate partner in any consultative process if they want it to play a constructive role. Currently, labor's status in Canada is closer to that of a junior partner, as it is in Japan, rather than that of a full social parnter, as it is in countries such as Austria and West Germany. As long as the Canadian labor movement feels isolated and ostracized, one cannot expect it to play a responsible role in national consultation or in anything else. Labor historian Des Morton has said:

> Labour leaders are caught in the middle. Many of them are in transition in society. Their status, incomes and social expectations are being transformed through their leadership role. Few of them want or will return to the ranks. Yet, neither union leaders nor members have ever been encouraged to believe that they are entitled to a share of real power in managing their country or even their own enterprise. If others want to manage, let those others take responsibility for absenteeism, low productivity or the larger economic disasters. At times, unions may set the agenda of labour-market and collective bargaining issues. They put health, safety, seniority, maternity leave or paid educational leave on the table. Otherwise union leaders exercise the prerogative of the powerless — to criticize.[29]

The federal government probably has more capacity to change the role and status of labor than any other single institution in Canada. One thing the government could do to this end is to upgrade the status of the Department of Labour. Although there has been some improvement in the position of the Department in recent years, it is still one with relatively low status within the Ottawa bureaucracy. The Minister of Labour could be a prestigious member of the inner cabinet, thereby ensuring that labor's concerns are taken into consideration at the higher level of decisionmaking. It should be added that such a change would not require a larger Department of Labour; just a more influential one that the labor movement could count on to explain its point of view at all levels of government.

The federal government would be unwise to attach conditions to any effort it makes to enhance the status of organized labor. The benefits to

[29] Desmond Morton, "Relating Government to the Labour Movement" (Unpublished text of an address to a federal government seminar on Consultation with Labour at the Staff Training Centre, Touraine, Quebec, 16 October 1983), pp. 3-4.

be derived are not going to appear overnight. Rather, any such benefits will only come if and when labor feels it is being treated more responsibly. At that point labor will find it hard not to try to reply in kind, even with all the difficulties such a response will present given labor's decentralized and fragmented character.

In the meantime, the government would be especially wise to resist the temptation to endavor to co-opt the labor movement or to wean it away from its support of the NDP. In the past, the government has made too much of an issue of that support. Labor has just as much right to support the NDP as business has to support the Conservatives or the Liberals. When in power in the West, the NDP has worked with management groups despite their support of its political rivals. Other parties in power should be just as willing to work with labor despite its support of the NDP.

If national consultation is to prove useful, the government will also undoubtedly have to subsidize the additional research and technical assistance the labor movement will require for it to play a meaningful part in the exercise. There is ample precedent for such subsidization. In both Sweden and West Germany, significant support has been made available to the labor movement for a variety of similar purposes. Any such support, after all, would not begin to approach the subsidies business receives through government funding of all levels of the education system.

Research and technical assistance for labor could be provided by the government either directly or indirectly. Indirectly, for example, labor will doubtless benefit from the significant funding the government has committed to the Canadian Labour Market and Productivity Centre. Some such assistance, with no strings attached, could also be made available directly to the labor movement.

Last, but not least, labor's collective bargaining rights in the public service need to be restored fully if the federal government hopes to enlist labor's whole-hearted participation in national consultation. Neither the labor movement as a whole, nor public service unions in particular, can be expected to cooperate in any national consultative process involving a government that arbitrarily controls labor's means of bettering its position while leaving others to go about the business of improving their lot in the traditional way.

The Role of Labor

Like government, the labor movement has a number of challenges to

meet if national consultation is to amount to anything significant. Perhaps labor's biggest challenge is to bend its essentially adversarial role in the collective bargaining and political systems enough to work with management and government in those areas where there is some hope of a common approach. This has been happening, but it is something labor will have to work at continually given that significant elements within its ranks oppose any sort of cooperation on the grounds that such ventures invariably result in some form of labor co-optation.

Over time, if national consultation is to develop and mature, labor will also have to work at the macro-micro trade-off with which it is confronted. As was suggested earlier, this is a typical "chicken and egg" dilemma, with the CLC caught in the middle. On the one hand, the CLC may one day have to persuade its affiliates that some wage restraint is necessary in order to achieve broader economic and social goals. On the other hand, before it could begin to undertake such a task, the CLC would have to convince both management and government to agree to sufficient concessions on economic and social goals to make such a trade-off attractive to its affiliates.

In the meantime, labor, like all other groups involved in the national consultative process, will have to learn to accept the fact that no more than consultation is involved. Despite the best and most sincere counsel from labor and management, government may be unwilling or unable to go along. As long as government does not ignore all the advice it receives, and as long as it explains what it can and cannot accept, labor — and management — will have to live with this limitation. This is something the CLC should be able to understand, if only because of its even more limited capacity to commit its affiliates to anything very specific.

Finally, the CLC, the labor movement as a whole, and public service unions in particular will have to accept that national consultation will still have to take place even as the government may be embroiled in a normal labor dispute with unions of its own employees. By way of analogy, one could cite the case of Domtar Inc.'s Joint Labor-Management Consultative Committee, which some years ago worked on company-wide industrial relations problems with virtually all of the unions with which the company then had relations. This work carried on even when work stoppages were in progress at various company sites. National consultation will break down if either labor or management in the public service try to take advantage of it to improve their collective bargaining positions vis-à-vis each other.

The Role of Management

Most of Canada's management fraternity appears to have accepted the legitimacy of labor as an equal partner in a national consultative process. But management is unwilling or unable to display anything like a similar attitude at the firm level, where many enterprises are determined to avoid unionism and collective bargaining at almost any cost. Given its own decentralized and fragmented state, organized labor seems to have reluctantly learned to accept the reality of this dichotomy. Whether labor will continue to do so — particularly in the light of developments in British Columbia since 1983 — remains to be seen. If growing ranks in the business community decide to take advantage of the propensity for government and politicians to use labor as a scapegoat, they will jeopardize the prospects for more cooperative relations between labor and management.

With or without such consultation, management would be well-advised to improve its coordinating efforts at the industry level. An example of what is required at this level is provided by the Canadian Pulp and Paper Association, which involves senior executives in the industry, backed up by strong staff. Only then is an industry able to generate the kind of background data and position papers that are critical for effective relations between labor and management.

Not being as institutionally political as either labor or government, management tends to be better able to coordinate its activities at the national level for consultative purposes. Only two conditions seem to be attached to its participation in such endeavors. First, as a matter of principle, management is bound to react negatively to any development that threatens its interpretation of the essence of the mixed free enterprise or modified capitalist system. Second, at a more mundane but nonetheless important level, it is entirely appropriate for management representatives to become agitated when consultative meetings are not run on a business-like basis with, for example, ample notice of meetings and adequate advance preparation.

One problem expressed by many management spokesmen is labor's insistence on the restoration of full collective bargaining rights in the public service as a condition for its participation in national consultation. Management has serious misgivings about the ability of government to hold the line in bargaining with its own employees, especially when the rules of the game seem at times to be loaded against the government once a dispute occurs. There is doubtless some legitimacy to management concerns in these and other respects, but such concerns

should be dealt with by appropriate amendments to the enabling legislation rather than by removing altogether the bargaining rights of public employees.

Conclusion

There are obviously many dimensions to the challenge of narrowing the gap between Canada's economic performance and its potential. One critical aspect of this challenge is for Canada to become more competitive. The achievement of Canada's full employment and growth objectives — not to mention its other socioeconomic goals — depends on an improved competitive position, particularly in relation to its major trading partner, the United States.

Aside from curbing inflation, the key to making Canada more competitive is improved productivity. But productivity growth requires changes in production that can be disruptive and thus evoke resistance. Unless effective and fair adjustment assistance is rendered to those hurt by change, this resistance is bound to grow. If Canadians wish to take advantage of the many benefits that can flow from change, they must be prepared to deploy some of those benefits to alleviate the costs incurred.

Coping more effectively with industrial adjustment in order to meet challenges from international competitors could prove to be the most effective objective for a national labor-management consultative forum. In return for labor's acceptance of the need for improved productivity, management will have to accept the need for more effective assistance for those caught up in the adjustment process. Such a joint effort would provide a much more viable basis for a national consultative effort than would a futile search for an elusive voluntary incomes policy, which nobody involved could really commit to in any event.

Fortunately, Canada now has in place the new Canadian Labour Market and Productivity Centre, as a result of a positive federal government response to the joint call for such a center from the CLC and the BCNI. With the establishment of this essentially bipartite center, labor and management now have the opportunity to demonstrate that, where they have common cause, they can work together and with government. The very name of the new Centre suggests that a good place to begin would be on the labor-market-adjustment and productivity-competitiveness link stressed throughout this study.

If this new Centre is to prove the beginning of a continuing and meaningful national consultative process in Canada, many obstacles will have to be overcome. This study has suggested the conditions and ground

rules that should be adopted to overcome these obstacles. With some good faith and good will on all sides, labor, management, and government could be on the threshold of developing more cooperative relations to complement their natural and normal adversarial relations.

If and when labor and management make use of the Centre to work out an effective *quid pro quo* between increasing productivity and facilitating manpower adjustment, they may be able to tackle even greater challenges. Either through this Centre or some other body, labor, management, and other groups might eventually come to terms with the economic facts of life confronting Canada. At the very least, the major interest groups might be able to develop a common understanding of the dimensions of Canada's economic problems and prospects. Perhaps then they could begin to share some perceptions about what Canada's priorities should be. Eventually — despite the major caveat on inflation already stressed — these groups might even be able to come to grips with some of the interrelated issues of inflation, incomes policies, and income distribution.

On this hopeful and optimistic note, it is appropriate to conclude this study with a quote from the late Paul Malles, a man who devoted much of his life to an even more ambitious outcome:

> Yet it is perfectly clear — without searching for Utopian solutions — that Canada's economic problems would be greatly diminished, and economic and social tension eased, if somehow Canadians could learn to work together in unison, toward commonly agreed-upon goals, harnessing the energies of all three of the social partners in a co-operative effort toward mutually advantageous objectives. It would seem, for example, perfectly reasonable to consider establishing a system of consultative arrangements which would bring the major interest groups together in a national goals-setting exercise aimed at generating consensus and commitment. It is true that some experimentation and social innovation would be required — perhaps extending over a prolonged period — to develop the necessary institutions and habits of collaboration. But it is not beyond the capacity of Canadians to develop new institutions — new economic and social machinery — to deal with problems of overriding national concern. And the management of our economic affairs in a way which generates consensus and commitment rather than confrontation and conflict is certainly a matter of overriding national importance.[30]

---

[30] Paul Malles, *The Road to Consensus Policies: Challenges and Realities*, Conference Board in Canada Occasional Paper no. 4 (Ottawa: Conference Board in Canada, September 1976), p. 1.

Although this is far too grandiose a hope in the foreseeable future, it is not inconceivable in the long term if a proper foundation is laid well in advance. The Canadian Labour Market and Productivity Centre could provide such a basis, if the conditions and ground rules suggested in this study are followed by labor, management, and government.

Policy Analysis Committee

The C.D. Howe Institute Policy Analysis Committee (HIPAC) was formed in 1980 from the Canadian Economic Policy Committee, established in 1961. This change was brought about to help streamline the Institute's activities and to improve the process of accountability of staff to the Institute's members.

HIPAC's membership is drawn primarily from business and labor organizations that are members of the Institute. To encourage diversity of perspective, HIPAC also includes members from the academic world, from agricultural organizations, and from the professions. Two Regional Advisory Committees have been established across the country to assist HIPAC in determining its research agenda and to ensure that the research conducted by the Institute on its behalf is relevant and reflective of regional points of view.

Full meetings of HIPAC's membership are held twice each year. The purposes of these meetings are to hear expert speakers on current policies, to engage in frank discussion of topics raised by members, and to identify a research program that the Institute can effectively carry out to improve public understanding of important policy issues. The professional completion of this program is then supervised by the Institute, which coordinates with the HIPAC Executive Committee.

The Chairman of HIPAC is H.A. Hampson (President and Chief Executive Officer, Canada Development Corporation).

Policy Commentary Series

1 *Conflict over Communications Policy: A Study of Federal-Provincial Relations and Public Policy,* by R. Brian Woodrow et al. (November 1980).

2 *Pensions and the Economic Security of the Elderly,* by Frank T. Denton, Melvin L. Kliman, and Byron G. Spencer (February 1981).

3 *Trade Policy in the 1980s: An Agenda for Canadian-U.S. Relations,* by Rodney de C. Grey (September 1981).

4 *Evaluating the Deficit: The Case for Budget Cuts,* by Neil Bruce and Douglas D. Purvis (July 1984).

5 *National Consultation: Problems and Prospects,* by John Crispo (September 1984).